Credit Unions . . .

Continued from page 1

and was, in fact, twice as large as the growth in assets at the nation's top 300 S&Ls. Total assets for the top 100 credit unions were $19.55 billion on June 30, up 14.9% from $17.01 billion at yearend 1982. Over the first half of 1983, the assets of the top 300 S&Ls rose 7.1% to $457 billion.

The growth over the first half of this year is attributable to a surge in individual retirement accounts and the continued growth of money market deposit accounts.

According to data from the National Credit Union Administration, over 5,500 of the approximately 16,200 NCUA-insured credit unions in the nation offered IRA accounts at midyear. These IRAs totaled $3.3 billion, up 154% from $1.3 billion at yearend. In addition, the NCUA found that 1,852 of its insured credit unions had money market deposit accounts accounts totaling $5.96 billion on June 30, compared with $2.0 billion in money market deposit accounts at only 1,127 NCUA-insured credit unions on Dec. 31.

Growth Raises Profitability

The surge in the flow of funds into credit unions has enabled them to become more profitable. For example, in 1980, the credit union industry had a rate of return on assets of only 18 basis points.

For the third quarter of 1982, the high yield on assets enabled credit unions to increase the return on assets to five and a half times the 1980 level — to 99 basis points.

As rates declined in 1983, so did the return on assets. For the third quarter of this year, it was 51 basis points, but that is still 2.8 times larger than the 1980 level.

The increase in profitability was attributable to several factors.

• First, the surge in liquidity enabled credit unions to restructure their asset maturities. Before 1982, about 20% of credit union assets were in long-term, fixed-rate, low-yielding assets. But increased asset growth has reduced this ratio to 15%. Most of the new funds have been invested in higher-yielding short-term maturities, with "very little involving anything over one year," according to the CUNA.

• In addition to restructuring their assets, many credit unions are now offering variable-rate consumer loans of all types. According to the CUNA, about 20% of credit unions with assets of $20 million or more are now offering variable-rate loans to their customers.

Thus, in the third quarter of 1982, the average yield on assets was 13.41%; the average cost of funds was 8.34%; and the gross spread was 5.07%. The decline in interest rates this year reduced the average yield on assets to 11.88% for the third quarter, but the average cost of funds also fell to 7.43%, and the gross spread was a respectable 4.45%.

• The rapid growth in assets has outpaced the growth in overhead expenses, lowering overhead costs and increasing profitability. For example, from the third quarter of 1982 to the third quarter of 1983, operating expenses as a percentage of total assets fell 29 basis points — from 3.98% to 3.69%, according to the CUNA.

Navy Federal Tops Again

Navy Federal Credit Union, Washington, D.C., again was the largest of the nation's more than 20,000 credit unions. With $1.31 billion in assets at midyear, it was up 20.3% from $1.09 billion at yearend 1982 and up 37.7% from $950 million at yearend 1981.

In addition, Navy Federal ranked first in deposits, with $1.15 billion, and first in the number of regular share accounts, with 605,718.

Credit unions are relatively small when compared with other types of thrift institutions. If, for example, Navy Federal were ranked among the nation's largest savings and loan associations, it would be 90th in assets and 87th in deposits.

In fact, the top 100 credit unions as a group had assets that were only 12% larger than the top thrift institution in the nation, Home Savings of America, FS&LA, Los Angeles. Home Savings had assets of $17.44 billion at midyear, compared with $19.55 billion for the top 100 credit unions on June 30.

Pentagon Federal Credit Union, Arlington, Va., with assets of $837.4 million, remained in second place at midyear.

It was followed by the State Employees Credit Union, Raleigh, N.C., which had assets of $719 million on June 30. State Employees Credit Union is the largest state-chartered credit union in the nation.

United Air Lines Employees Credit Union, Chicago, was fourth with $564 million; and Government Employees Credit Union, San Antonio, Tex., was fifth with $486.1 million.

Other Survey Findings

• The credit union industry shrank 6% in 1982 to 20,033 credit unions at yearend. Merger activity, spurred by unprofitability in 1980 and 1981, was the main reason for the consolidation. The American Banker lists the important mergers, the name changes, and the charter changes of the nation's top 100 credit unions on page 16.

• The top 100 credit unions in the nation had $17.01 billion in assets at yearend 1982, or 20.2% of the $84.26 billion in assets of the entire credit union group as of Dec. 31, 1982. A year earlier, the ratio was 19.4%.

• The top 100 credit unions at midyear consisted of 55 federally chartered credit unions, with $10.86 billion in assets; 31 state-chartered, NCUA-insured credit unions, with $5.36 billion in assets; and 14 state-chartered, state-insured credit unions with $3.33 billion in assets.

• The total deposits of the top 100 credit unions totaled $17.5 billion. Eighteen months earlier, on Dec. 31, 1981, the top 100 credit unions had $13 billion in deposits. Thus, deposits of the top 100 credit unions rose 34.6% over the period, or at an annual rate of 23%.

• Eighty-seven of the top 100 credit unions had share draft accounts totaling $1.77 billion on June 30. Seven of the top 100 were not offering share drafts, and data for six were not available. At yearend 1981, 89 of the top 100 credit unions had $922.7 million in share draft accounts; eight were not offering share drafts; and data for three were not available.

Largest Gainers

The largest percentage gain in assets was posted by 90th-ranked Pennsylvania State Employees Credit Union, Harrisburg, whose assets rose 55% to $107.4 million on June 30, 1983, from $69.3 million on Dec. 31, 1982. The credit union cited strong marketing programs and a high dividend yield — its average dividend rate was 9% for the first half of 1983 — as the major reasons for the increase.

It was followed by TRW Systems Credit Union, Redondo Beach, Calif., whose assets rose 40.6% over the first six months of the year to $122.6 million at midyear. TRW also had the second largest gain in rank, advancing 33 places to 69th. TRW cited sharp increases in its money market deposit accounts and individual retirement accounts as the prime reasons for the advance.

North Island Federal Credit Union, San Diego, had a 39.1% gain in assets to advance 19 places in rank to 56th, with $137.3 million in assets on June 30. The credit union cited gains in its money market deposit accounts as the main reason for the increase.

FAA Western Federal Credit Union, Los Angeles, had a 34.8% gain in assets to $124 million, and it advanced 24 places to rank 68th.

The 84th-ranked Nevada Federal Credit Union, Las Vegas, had the largest gain in rank as well as the fifth largest gain in assets. Nevada Federal advanced 34 places to rank 84th, as its assets rose 32.2% to $107.7 million. Nevada Federal is the new name for the credit union formed when Nellis Federal Credit Union and Las Vegas City Employees Federal Credit Union merged on Nov. 1.

The American Banker's previous survey of credit unions was published on May 26, 1982, and was based on yearend 1981 data obtained via questionnaires sent directly to the top 200 credit unions in the nation.

The midyear 1983 data shown in today's listing were also obtained directly from the credit unions. However, yearend 1982 data were provided to the American Banker by the CUNA, and the yearend 1982 rankings are based on the CUNA data.

Only "natural person" credit unions were included in the survey. Natural person is the term used to describe credit unions that serve individuals. Corporate central federal credit unions and state central credit unions (primarily credit unions for other credit unions) were excluded from this listing. ■

BofA . . .

Continued from page 1

America to pare down its large, and expensive, branch system.

Lawrence W. Cohn, a first vice president with Dean Witter Reynolds Inc., said in a recent report that "by late 1984 the company will have enough automatic teller machines in place that it will be able to start reducing branch overhead."

He estimated that the reduced branch expense will have a "very beneficial impact on expense ratios in 1985 and later years."

Lawrence R. Fuller, a vice president with Drexel, Burnham, Lambert Inc., said in a report that the firm may close 300 to 400 of its California branch offices over the next few years, but called the branch network "one of the major competitive franchises of the organization."

He cited "stability of the organization's deposit base" as one of the major advantages of the large branch system, and added that the size of its retail customer business could also help certain wholesale areas, such as the bank's worldwide correspondent banking business.

In its announcement, the bank promised to "continue its aggressive installation" of convenience banking centers and automated teller machines. In addition, the bank said it would expand its personal banking, private banking and home banking services.

Samuel H. Armacost, president and chief executive officer, said "evolving technology makes it no longer necessary to use traditional branches as extensively as before. In fact, the trend is increasingly to take the bank to the customer."

The bank's announcement called the branch closings the "second stage of a program to reconfigure its financial services delivery system in California."

Bank of America, the nation's largest bank, has been reducing its domestic branch system personnel by attrition since last year.

That restructuring was largely reponsible for a net shrinkage of 1,900 during 1982 in the bank's worldwide workforce to a total of about 81,000. In 1982, the bank's personnel expense rose 9.2% from 1981 largely due to salary increases.

The bank has been spending heavily in new technology to bolster its retail banking system. This month it launched a home banking product. And there has been a dramatic increase in the number of teller machines the bank has installed in California.

Last March the bank had almost 500 ATMs. By the close of 1983 Bank of America hopes to have 950 teller machines up and running and is targeting 1,200 teller machines by the end of 1984. ■

Book . . .

Continued from Back Page

agreement rate: how to calculate it and how to use it to choose between cash and futures.

By this point, futures are covered pretty comprehensively. But the two authors decided that wasn't quite enough if their book was to be truly useful.

So the last 100 or so pages guide the reader through regulation and accounting for futures, control techniques, and federal income tax considerations. Here, such well-known authorities on futures accounting as Arthur Andersen and Co.'s Mitchell R. Fulscher and David C. Fisher share their expertise.

All in all, it's an excellent book that will provide answers to almost any question on financial futures. The only thing it's lacking is wheels. Weighing in at 2½ pounds, it makes a heavy handbook to carry around.

"The Handbook of Financial Futures" is distributed by Financial Publications of Chicago Inc, P.O. Box 6155, Chicago 60680-6155. It costs $49.95. ■

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Fed's Action to Curb Nonbank Banks Sparks Uncertainty, Threat of Suit

By ANDREW ALBERT

WASHINGTON — The Federal Reserve Board says it's unable to measure the potential impact of its move Wednesday to curtail combinations of banks and nonbanks.

Outsider-Controlled Banks, Page 30

Uncertainty was the prevailing feeling throughout the financial community Thursday as attorneys tried to decipher the Fed action.

Some sectors viewed the board's revision of the definition of a bank as potentially devastating.

For instance, the American Financial Services Association, which represents many owners of nonbank banks, was considering the possibility of resisting the Fed through litigation, a spokeswoman said.

The Fed sent shock waves throughout the financial community by deciding to broaden the definition of a bank.

Such a change would force industrial and commercial companies that now own banks to either register as bank holding companies or divest themselves of their banking operations.

The Bank Holding Company Act of 1954 defines a commercial bank as any institution that accepts demand de-

➤➤ Fed: Page 38

Crocker Sees Loss for Quarter, Year

By GEOFF BROUILLETTE

SAN FRANCISCO — Crocker National Corp. here, blaming nonperforming interim construction loans, said Thursday that its principal subsidiary, Crocker National Bank, will make a special charge against earnings of $107 million in this year's fourth quarter.

The holding company expects to report a loss of about $57 million, or $2.83 a share, for the fourth quarter of this year, and a loss of about $10 million, or 62 cents for the year. During the first nine months of this year, it earned $46.8 million, or $2.21 a share.

Crocker, which is 57% owned by Midland Bank, London, said $96 million of the $107 million charge against earnings will be used to augment the reserve for possible loan losses, and $11 million will be used principally for writedowns of real estate owned by the bank as a result of borrower defaults.

A spokesman said, after the official announcement, that the bank's decision stemmed mostly from its large portfolio of nonperforming interim construction loans, mostly residential and mostly in California.

The bank's official announcement also explained in some detail that a portion of the problem resulted from poor agricultural loans this year, due to low commodity prices and the inability of farmers to refinance or sell land to cover their loans.

➤➤ Crocker: Page 36

Citicorp Wins Bidding War For 1st Federal of Chicago

Will Pay $118 Million Initially for Phoenix Thrift

Washington Bureau

WASHINGTON — Federal authorities on Thursday announced their approval of the acquisition of First Federal Savings & Loan Association, Chicago, by Citicorp, in what was called the largest case ever resolved by the Federal Savings and Loan Insurance Corp.

The FSLIC said that First Federal was converted from mutual to stock form of ownership to facilitate the acquisition.

The Federal Home Loan Bank Board, the FSLIC's parent agency, estimates that Citicorp's initial contribution will exceed $118 million. Under the terms of the acquisition, Citicorp has agreed to provide equity capital equal to 3% of liabilities and to provide additional capital necessary to maintain that ratio.

Additionally, Citicorp has agreed to pay the FSLIC 20% of any net income attributable to First Federal during the term of the agreement period. However, such payments cannot exceed the aggregate assistance provided by the FSLIC.

Under the government's projected interest rate scenario, the cost to the FSLIC is not expected to exceed $350 million.

➤➤ Citicorp: Page 6

2 Meetings Set on Expanded Powers

January Sessions to Focus on Banks' Push in Congress

By JAY ROSENSTEIN

WASHINGTON — Banking industry leaders are planning to hold two major meetings next month in preparation for a big push in Congress next year for approval of expanded products and services.

A chief reason for the meetings is to try to unite the industry behind common goals and strategies before what is expected to be a difficult battle on Capitol Hill against the securities, real estate, and insurance industries.

In addition, it is becoming increasingly evident that bank lobbyists will be keying on product deregulation next year rather than on the easing of geographic limits. The limits issue appears too controversial to be tackled effectively, and some say it would divide the industry when it most needs unity.

Banking industry lobbyists interviewed here said the thinking behind the two "summit" meetings is that if the banking industry fails to show a united front in Congress,

➤➤ Summit: Page 35

INSIDE

The EEC Today

The United States has backed European unity since the end of World War II, but there have always been differences over trade. Today is no exception, and M.S. Mendelsohn discusses these differences in the section beginning on page.....7

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Largest Banks in EEC Countries

Compiled by American Banker Copyright 1983

Rank		Deposits 12/31/82 ($US)
	Belgium	
1	Societe Generale de Banque, Brussels	27,328,496,400s
2	Banque Bruxelles Lambert, Brussels (e)	19,535,263,365s
3	Kredietbank International Group, Brussels	17,345,073,400s
4	Societe Nationale de Credit a l'Industrie, Brussels	7,885,916,998
5	European Banking Co. SA, Brussels	3,103,393,940
6	Banque de Paris et des Pays-Bas Belgique, Brussels(q)	2,665,339,290
	Denmark	
1	Danske Bank, Copenhagen	5,805,560,950s
2	Copenhagen Handelsbank	5,676,835,431s
3	Privatbanken, Copenhagen	3,755,048,500s
	France	
1	Banque Nationale de Paris	90,677,717,376s
2	Credit Lyonnais, Paris	83,591,842,582s
3	Credit Agricole Mutuel, Paris	78,383,020,000u
4	Societe Generale, Paris	73,298,701,254s
5	Banque Indosuez, Paris	19,127,753,168s
6	Groupe Des Banques Populaires, Paris	17,196,508,000s
7	Banque Paribas, Paris	15,202,104,000u
8	Credit Commercial de France, Paris	12,096,043,498s
9	Banque Francaise du Commerce Exterieur, Paris	8,799,586,878
10	Credit Industriel et Commercial, Paris (h)	8,553,859,826
11	Credit du Nord, Lille	7,041,671,834s
12	Union de Banques Arabes et Francaises, Neuilly	5,134,838,191
13	Societe Generale Alsacienne de Banque, Strasbourg	4,924,851,852s
14	Caisse Centrale des Banques Populaires, Paris	4,776,183,986
15	Banque Commerciale pour l'Europe du Nord, Paris	4,314,042,710
16	Banque Worms, Paris	3,831,826,648u
17	Societe Lyonnaise de Depots et de Credit Industriel, Lyons	2,936,790,000u
18	Banque Sudameris, Paris	2,821,195,960s
19	Credit Industriel d'Alsace et de Lorraine, Strasbourg	2,675,983,776u
20	Banque de l'Union Europeenne, Paris	2,301,254,190u
21	Banque Regionale d'Escompte et de Depots, Vincennes	2,208,688,000
22	Banque Internationale pour l'Afrique Occidentale, Paris	2,134,812,000s
23	Barclays Bank, Paris	1,982,440,852u

Largest Banks in EEC Countries

Rank		Deposits 12/31/82 ($US)
	Germany	
1	Deutsche Bank, Frankfurt	75,817,163,884s
2	Dresdner Bank, Frankfurt	53,218,404,799s
3	Westdeutsche Landesbank Girozentrale, Duesseldorf	52,441,987,982s
4	Commerzbank, Duesseldorf	42,419,225,091s
5	Bayerische Vereinsbank, Munich	40,857,579,388s
6	Bayerische Landesbank Girozentrale, Munich	37,002,322,000s
7	Hessische Landesbank-Girozentrale, Frankfurt	22,717,528,386u
8	Norddeutsche Landesbank Girozentrale, Hannover	22,536,407,127s
9	Bank fuer Gemeinwirtschaft, Frankfurt	21,953,530,600s
10	Bayerische Hypotheken-und Wechsel-Bank, Munich	18,320,634,437s
11	Deutsche Genossenschaftsbank, Frankfurt	16,889,837,301s
12	Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	12,805,891,000s
13	Landesbank Rheinland-Pfalz Girozentrale, Mainz	12,457,265,310s
14	Hamburgische Landesbank-Girozentrale, Hamburg	10,191,509,355
15	Wuerttembergische Komm. Landesbank-Girozen., Stuttgart	10,104,786,443
16	Landesbank Schleswig-Holstein Girozentrale, Kiel	9,398,248,466u
17	Badische Kommunale Landesbank-Girozentrale, Mannheim	8,812,125,276u
18	Berliner Bank, Berlin	8,185,289,791s
19	Bremer Landesbank und Staatliche Kreditanstalt, Bremen	7,501,319,000
20	Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	6,978,048,000
21	Sudwestdeutsche Genossenschafts-Zentralbank, Karlsruhe	5,575,175,737
22	Norddeutsche Genossenschaftsbank, Hannover	5,366,536,951s
23	Berliner Handels und-Frankfurter Bank, Frankfurt	5,029,514,000s
24	Bayerische Raiffeisen-Zentralbank, Munich	4,900,245,000
25	Landesgirokasse, Stuttgart	4,743,919,131
26	Vereins-und Westbank, Hamburg	4,705,205,765s
27	Bankhaus Sal. Oppenheim jr. & Cie., Cologne	3,816,595,045s
28	Genossenschaftliche Zentralbank, Stuttgart	3,356,492,300
29	Bank fuer Handel und industrie, Berlin	3,326,254,104u
30	Baden-Wuerttembergische Bank, Stuttgart	3,271,511,420s
31	Landesbank Saar-Girozentrale, Saarbrucken	3,071,068,000u
32	Deutsche Bank Berlin	2,434,529,736
33	European Asian Bank, Hamburg	2,329,212,694
34	Westfalenbank, Bochum	2,198,304,547s
35	Deutsche Verkehrs-Kredit Bank, Frankfurt	2,185,123,487
	Greece	
1	National Bank of Greece, Athens	12,404,855,700s
2	Commercial Bank of Greece, Athens	3,300,569,916u

➳ Continued on Next Page

"Banking will always be a service business."

The POLK Round Table
One in a series.

by Michael Rassmann
Executive Vice President
European American Bank

It's a buyer's market in banking today.
Correspondent banking has changed a lot over the years. Customers' needs have grown more and more complex in the face of *their* expanding markets. So these pressures are passed along directly to major banks.

It's easy to see how some banks can become distracted by all these pressures. It's inevitable that some will lose sight of the basic fact that banking is a service business.

Correspondent customers are smarter than ever today. They've created a buyer's market where they can demand only the best. The challenge for a major bank like European American Bank is how to respond with excellence.

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EAB is one of the most active participants in S.W.I.F.T. Our customers tell us our S.W.I.F.T. statement is so accurate they can reconcile their balances off it on an automated basis.

Correspondents can also use our S.W.I.F.T. capabilities for money transfers, foreign exchange, collections and payments, or go from S.W.I.F.T. to CHIPS or check, directly.

Computerized cash management.
We help our customers with expert cash management systems, too. Today money management means more than ever. So correspondents can make use of EARLI® our computer-driven reporting and funds movement system.

With it they can keep up to date on their financial positions. And with computerization, our EURASTAR™ and EURAMICRO® systems provide quick and cost-effective financial analyses of banks and corporations throughout the world.

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But computers and advanced systems are only part of the story. The best systems in the world aren't worth much if there aren't quality people available to make them work.

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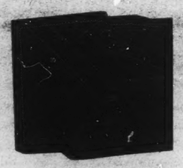

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Worth Reading on the EEC

Compiled by Louis C. Leventhal

New Direction for the Common Market, by David Fairlamb. The former Franco-German alliance in the Common Market is being replaced by a partnership of Britain and Germany. Both conservative governments want a bigger return from the European Economic Community budget and a restructuring of EEC spending on agriculture. Still, each member country has a right to veto policy decisions on matters of national interest, so it is no sure bet that these two countries will be able to lead the Common Market in the direction they want it to go. Dun's Business Month, New York, August 1983, p. 40.

The Ploughshares War between Europe and America, by Nicholas Butler. Little progress has been made in the agricultural trade dispute between the U.S. and the EEC. After summarizing the history of the attempts to reconcile their differences, the author finds the level of rhetoric, especially with the world price of grain falling, increasing. America is vigorously challenging the community's export subsidies, while the Common Market, led by the French, has pressed for an even more sustained export strategy. This "stealing of markets" has led some in the U.S. to propose an increase in our own export subsidies. While overshadowed by the recent strains in European-American relations over the issue of missile deployment, agricultural trade differences could have an even greater corrosive effect on the alliance. Foreign Affairs, New York, Fall 1983 p.105.

Europe's Slow Climb Back, by David Fairlamb. An economic outlook for the 10 nations of the Common Market. Generally, their economies are lagging behind America's, especially since the European nations have benefited less than the U.S. from the decline in oil prices and have suffered more than America from the slowdown in world trade. Italy and France in particular face mounting ills, while recovery in Great Britain will be plagued by continuing high unemployment. Germany's growth too looks rather anemic. The author fears such slow growth might become self-perpetuating. Dun's Business Month, New York, July 1983, p.44.

How the EEC Pulled in the Banks, by Quek Peck Lim. A detailed account of a French request for a massive loan to her by way of an EEC Euroborrowing. The result was a $3.6 billion operation, structured and sold in two months, that met with the approval of the market and elicited little backbiting. Euromony, London, August 1983, p.20.

A Touch of Gaullism. The Economist argues for a hard-nosed British attitude for insisting on permanent reform of the EEC budget and for a guarantee that community spending on agriculture will be restrained. Only such measures can end once and for all the debate about British membership in the Common Market. Unless these steps are taken, the EEC faces almost certain bankruptcy. The Economist, London, Nov. 19, 1983, p.13

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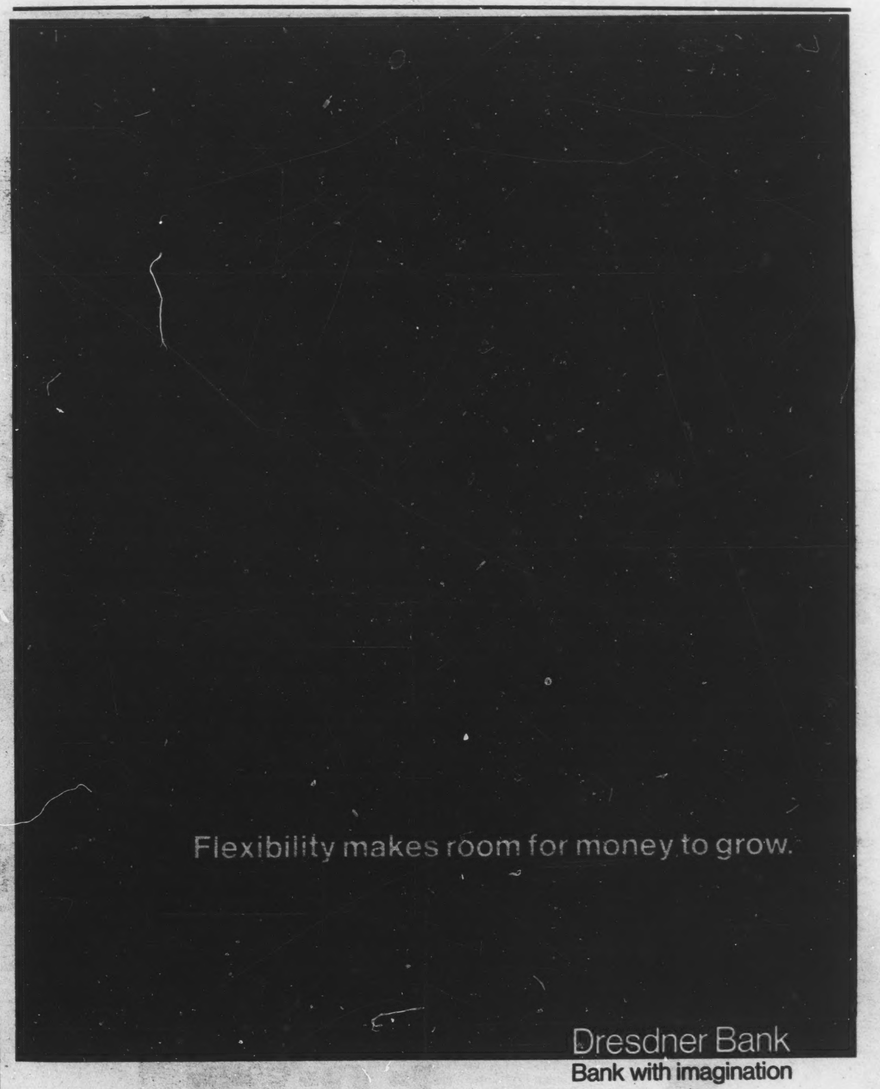

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